

depth of the recession. "... if the money managers goof (at present—ed.), the president might as well start now to pack his bags."

Moreover, as we have pointed out in previous weeks, there are plenty of pressures building under interest rates that will continue to build even under conditions of economic slowdown: soaring energy costs, eroding corporate liquidity and productivity, and a heavy supply of Treasury issues scheduled for the second half of the year.

—Lydia Schulman

## WORLD TRADE

### Senate committee eyes Trade Department War

"We're holding the President's feet to the fire," a Senate staffer was quoted as saying by the July 11 New York Times. The influential senator from Connecticut, Abraham Ribicoff, who chairs the Senate trade subcommittee, has stepped forward to demand that Carter show "that he's the boss or this country is not going to move."

At issue is what even the press has characterized as a potential "Department of Trade War," a proposal to set up a new executive department which appeared following the 395-7 House vote on July 1 favoring the administration's Multinational Trade Negotiations ("Tokyo Round") pact. The senators are threatening to veto the pact.

The proposal for a new trade department stems from the Office of Management and Budget's "Reorganization Project," prepared under the direction of OMB Director John White, a former top Rand Corporation official. The project proposed a new National Security and International Affairs (NSIA) division under the direction of Peter Szanton, one-time president of the defunct New York City Rand Corporation. According to the OMB plan, the new Department of Trade would be brought under the NSIA.

The most vocal advocate of the proposed trade war department is Senator William Roth Jr. (R-Del.), also a member of the Trilateral Commission group which literally took over every key administration post following the election of Jimmy Carter.

The central feature of this proposal is the centralization and con-

trol of all trade functions, to be taken out of the hands of the Commerce, State, Treasury, and a dozen other departments and federal agencies which now have specialized oversight. The new department would take punitive protectionist action against alleged dumping of goods into the United States by foreign countries, a function the Treasury has been accused of only laxly carrying out.

More to the point of its creation, the new agency would acquire "fingertip" control over technology transfers to the East bloc and Third World, i.e. power to block the United States from exporting nuclear energy and other advanced technologies that would boost both the U.S. and the world economy.

The "lesser evil" counterpart to the Roth proposal is a version being advanced by Congressmen James Jones (D-Okla.) and Bill Frenzel (R-Minn.). Under this backup option, instead of a new trade department being created from scratch, the same control would be acquired by consolidating existing authorities into an expanded Commerce Department—under Juanita Kreps (known as China's best friend in the U.S.).

Thus, the Jones-Frenzel approach will be dangled before the opposition to the Roth creation of a new department. Like Schlesinger's Department of No Energy, it is suspected that a Trade Department would be a Department of No Trade.

On the horizon, dwarfing even the Roth nightmare, is one from Congressman Lester Wolff of New York, chairman of the Select Committee on Narcotics, who is proposing that all oversight for U.S. technology of potential military application—virtually all high technology from nuclear fusion to electronics—be turned over to the Pentagon.

—Richard Schulman

Three weeks ago this magazine reported the 20 percent inflation of air freight rates since deregulation in November 1977. That result was known to the architects of the policy before it was enacted—architects like former Civil Aeronautics Board chairman and current inflation czar Alfred Kahn, who is on record as admiring the labor-intensive, asset-stripping economic policies of Nazi Germany.

The present sponsors of rail deregulation may be pleased that hardship, chaos, and heavily increased transportation costs have come so soon after deregulation. On the other hand, they may be concerned that the evidence of dereg's effects will be thrown back in their faces.

—Leif Johnson